



DEPARTMENT OF THE NAVY
OFFICE OF THE CHIEF OF NAVAL OPERATIONS
2000 NAVY PENTAGON
WASHINGTON, D.C. 20350-2000

IN REPLY REFER TO

JUN 28 2004

The Honorable Duncan Hunter
Chairman, Committee on Armed Services
House of Representatives
Washington, DC 20515

Dear Mr. Chairman:

This letter provides you notification of a decision to implement performance by the Most Efficient Organization (MEO) for Design Engineering at the Puget Sound Naval Shipyard, Detachment Boston (initiative number NC20010767).

The analysis of the function was commenced in October 2001. Navy anticipates implementation of the MEO operations in September 2004.

An examination of the cost of performance of the function by DoD civilian employees and by the accepted offer of the private contractor produced a finding that the most cost effective manner to obtain the services is with MEO performance. Below is a summarized comparison of the cost of performance of the function:

Historical cost to perform by DoD civilian employees:	\$100,000,000
Estimated cost to perform by DoD civilian employees:	\$ 71,659,000
Amount of Private Contractor's Offer:	\$ 76,166,000
Estimated Government incurred cost because of contract:	\$ 2,306,000
Total projected savings over the period of performance:	\$ 28,341,000

The announced number of DoD positions performing the function when the analysis was commenced was 193. The MEO will be 105 positions. We estimate, as a result of the competition, 13 DoD employees will be reassigned to equivalent or lower positions, 23 employees will take early or normal retirement, and 52 permanent or temporary employees will be separated.

Civil servants affected by MEO implementation are given assistance in continuing their Federal careers through priority placement programs and reassignment in DoD or other agencies. In addition, the Department of the Navy works in cooperation with the Department of Labor and State Employment Services to assist affected employees in locating positions in private industry or to afford these personnel opportunities to undertake retraining programs qualifying them for jobs available in local labor markets.

I make the following certifications:

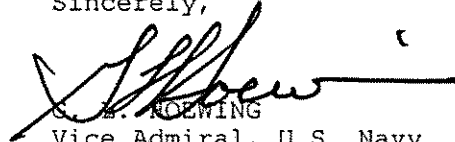
The analysis of the function for possible change to private sector included the estimated cost to the Government for performance in the most cost effective manner by DoD civilian employees; and the analysis did not include any predetermined personnel constraint or limitation in terms of man-years, end strength, full-time equivalent positions, or maximum number of employees.

The entire analysis is available for examination and demonstrates that the performance of the function by the MEO will result in savings to the Government over the period of performance.

The conversion of these functions to MEO operations results in anticipated savings that make the resulting cost of operations significantly less than the current cost of operations. This equates to a \$5,668,200 annual reduction of gross salaries and other services being expended into the local economies. With a total business volume of over \$5,607,981,000 in annual sales, this reduction represents less than 0.1011 percent of sales.

A similar letter has been sent to the President of the Senate; the Speaker of the House; and Chairmen Warner, Stevens, and Lewis. If I can be of further assistance, please let me know.

Sincerely,

A handwritten signature in dark ink, appearing to read 'C. E. Roewing', with a horizontal line extending to the right.

C. E. ROEWING
Vice Admiral, U.S. Navy
Deputy Chief of Naval Operations
(Manpower and Personnel)

cc: The Honorable Ike Skelton, Ranking Member